

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

APPLICATION OF EOG RESOURCES FOR APPROVAL OF A 640-ACRE NON-STANDARD PROJECT AREA COMPRISED OF ACREAGE SUBJECT TO A PROPOSED STATE COMMUNITIZATION AGREEMENT, LEA COUNTY, NEW MEXICO.

CASE NO. 15354

APPLICATION

EOG Resources, Inc. ("EOG") through its undersigned attorneys, files this application with the Oil Conservation Division for an order approving a 640-acre non-standard project area in the Wolfcamp formation comprised of acreage subject to a proposed state Communitization Agreement covering all of Section 26, Township 25 South, Range 33 East, NMPM Lea County, New Mexico. In support of this application, EOG states:

1. EOG (OGRID No. 7377) is the only working interest owner in two state leases covering Section 26, Township 25 South, Range 33 East, NMPM, Lea County, New Mexico.

2. EOG has drilled or is in the process of drilling and completing eight horizontal wells in the WC-025 G-09 S253336D; Upper Wolfcamp pool (Pool Code 98094) underlying Section 26:

- The Lomas Rojas 26 State Com #701H (30-025-42568) and #702H (30-025-42567), currently dedicated to the E/2 E/2 of Section 26;
- The Lomas Rojas 26 State Com #703H (30-025-42970) and #704H (30-025-42971), currently dedicated to the W/2 E/2 of Section 26;

- The Lomas Rojas 26 State Com #705H (API No. 30-025-43218) and #706H (API No. 30-025-43219), permitted in the E/2 W/2 of Section 26; and
- The Lomas Rojas 26 State Com #707H (API No. 30-025-43220) and #708H (API No. 30-025-43221), permitted in the W/2 W/2 of Section 26.

3. The WC-025 G-09 S253336D; Upper Wolfcamp pool is subject to the Division's statewide rule providing for 40-acre spacing units. EOG's drilling program for Section 26 has resulted in the development of each of the 40-acre tracts comprising Section 26.

4. EOG seeks to minimize surface disturbance by consolidating facilities in Section 26 and commingling production from the Section 26 wells. The New Mexico State Land Office has informed EOG it will approve a Communitization Agreement covering all of Section 26, but that for administrative purposes the wells drilled in Section 26 must first be dedicated to the entire Section.

5. In order to dedicate the existing wells to Section 26 (the acreage subject to the proposed Communitization Agreement), EOG requires approval from the Division to treat Section 26 as a single project area.

6. Division Rule 19.15.16.7.L recognizes a state exploratory unit and a participating area within a federal unit as an approved "project area" for purposes of efficient horizontal well development. However, this rule currently does not expressly recognize a communitized area as a "project area" for horizontal well development.

7. Approval of Section 26 as a 640-acre project area will allow EOG to efficiently locate surface facilities and minimize surface disturbances in a manner

similar to that currently allowed for state exploratory units and participating areas within federal units.

8. Approval of Section 26 as a 640-acre project area is consistent with the intent of a "project area" expressed in Rule 19.15.16.7.L(2).

9. Pursuant to Rule 19.15.16.15.E, EOG will provide notice of this application to the affected persons in the 40-acre spacing units that adjoin the proposed 640-acre project area.

10. Approval of this application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, EOG requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 29, 2016, and that after notice and hearing as required by law, the Division enter an order granting this application.

Respectfully submitted,

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ATTORNEYS FOR EOG RESOURCES, INC.

CASE

15554⁵

Application Of EOG Resources For Approval Of A 640-Acre Non-Standard Project Area Comprised Of Acreage Subject To A Proposed State Communitization Agreement, Lea, New Mexico. Applicant in the above-styled cause seeks an order approving a 640-acre non-standard project area in the Wolfcamp formation comprised of acreage subject to a proposed state communitization agreement covering all of Section 26, Township 25 South, Range 33 East, NMPM, Lea County, New Mexico. This acreage has been placed in the WC-025 G-09 S253336D; Upper Wolfcamp pool (Pool Code 98094) subject to the Division's general statewide rules for oil development. This acreage is located approximately 25 miles West of Jal, New Mexico.